kotak Securities

Dated: 6th Nov 2025

Grasim Industries (GRASIM) - REDUCE

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.2882	**Rs.2960**

Rationale:

- Grasim's Q2FY26 standalone EBITDA was above estimates.
- Q2FY26: beat at the CSF division, partly offset by a miss in chemicals and higher losses in the paints/B2B e-commerce divisions.
- Paints saw its first full monsoon season and a qoq decline in revenue; management expects this blip to be seasonal and a return to strong growth from Q3FY26 onward.
- We expect margins in caustic/CSF businesses to remain rangebound due to macros.
- We trim standalone EBITDA estimates by 3%/2%/2% for FY26/27/28E, mainly led by the paints division.
- We expect earnings per share (EPS) growth of 42.6% in FY26E and 36.1% in FY27E.
- Our FV rises to Rs2,960 (earlier Rs2,850) on rollover to Dec 2027E.
- We maintain REDUCE, as we see a balanced risk-reward.

Positives:

- CSF/CFY volumes stood at 220.4 kt; was above our estimates.
- CSF: EBITDA increased qoq to Rs16/kg (+7.8% qoq) on higher realizations.

Negatives:

- Caustic volumes, at 294 kt (flat yoy, (-)3% qoq), were impacted by lower production.
- Chemicals: EBITDA decreased qoq to Rs12/kg (-10.8% qoq).

(EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization; CSF: Cellulosic Staple Fiber; Cellulosic Fashion Yarn)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
Head of Research
shrikant.chouhan@kotak.com
+91 22 6218 5408

Arun Agarwal
Auto/Auto Ancillary, Building Material
Cement, Consumer Durable
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal, CFA
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Rini Mehta
Research Associate
rini.mehta@kotak.com
+91 22 6218 6433

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

K. Kathirvelu
Support Executive
k.kathirvelu@kotak.com
+91 22 6218 6427

Pankaj Kumar
Construction, Capital Goods & Midcaps
pankajr.kumar@kotak.com
+91 22 6218 6434

Amarjeet Maurya
Internet Software & Services
amarjeet.maurya@kotak.com
+91 22 6218 6427

Veer Trivedi
BFSI
veer.trivedi@kotak.com
+91 22 6218 6432

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350

Sayed Haider
sayed.haider@kotak.com
+91 22 62185458

DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 66041701

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6638 8331

Karan Kulkarni
karan.kulkarni@kotak.com
+91 20 66203350

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